DOCUMENT RESUME

ED 245 997 SO 015 771

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TITLE Women and Tax Policy.
PUB DATE 20 Jun 84
NOTE 64p.; Paper presented at the National Conference on Women, the Economy and Public Policy (Washington, DC, June 20, 1984).
PUB TYPE Reports - Descriptive (141) -- Speeches/Conference Papers (150)

EDRS PRICE MF01/PC03 Plus Postage.
DESCRIPTORS Change Strategies; Economic Change; *Females; *Finance Reform; Policy Formation; *Public Policy; Sex Differences; *Sex Discrimination; *Taxes
IDENTIFIERS Income Taxes; Individual Retirement Accounts; Local Taxes; Social Security; State Taxes

ABSTRACT

The major types of U.S. federal, state, and local taxes are explored, and the impact of those taxes on all types of women--rich and poor, old and young, employed and not employed, parent and non-parent--are examined. Specifically discussed are the social security tax; the federal income tax system, including the marriage tax, the earned income credit, and the dependent care tax credit; the income tax threshold and individual retirement accounts; the federal corporate income tax; federal gift and estate taxes; and state and local taxes. Since men and women differ in the way they earn and spend income, they are necessarily treated differently within the tax system. Tax reform aims at fairness, but this is probably an illusory goal. At best the system might strive toward establishing specific objectives, modifying tax codes and regulations to attain those goals. Policymakers must understand that there is no such thing as a neutral tax and, therefore, no such thing as a gender-neutral tax. Policymakers must be conscious of the direct and indirect aspects of all taxation and develop tax policy with a clear understanding of who will be affected and whether or not the effects are desirable. (RM)

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WOMEN AND TAX POLICY

Presented at the National Conference on
Women, The Economy and Public Policy,
Washington, D.C., June 20, 1984

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SP 015 771

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Women and Tax Policy

Ruth Ruttenberg and Amy McCarthy

Introduction

The complex system of federal, state and local taxation we know today has been many years in evolving. The original intent of taxation was simply to raise revenue as efficiently as possible. But since the early 1960's, taxation has taken on an added dimension, that of furthering social, political or economic goals. There are those who argue that tax policy properly has no policy goals as such, but that any revision should aim at making the tax system more "fair and simple." Others would suggest that federal, state and local taxes can and should be used to promote specific social goals, to ameliorate many of the problems in our economic system, and that in combination with other types of government programs, tax policy could facilitate the full integration of women into the economy.

Taxation involves two dimensions, one the payment of taxes, the other the exemption from payment of taxes. Some taxes or tax exemptions are targeted at specific individuals, as in the federal income tax's extra exemption for the elderly and the blind. Other taxes, though not explicitly directed at any particular group, when put into practice affect one type of individual more than another. For example, the mortgage interest deduction in the federal income tax provides no benefit to non-homeowners.

President Reagan has directed federal agencies to review all of their regulations to find, and in most cases, change rules that are overtly sex-biased, that is rules which afford special treatment to men or women based solely on sex. This process is nearly complete with respect to the federal income, estate, and gift tax systems and social security. The President has also encouraged the fifty states and the District of Columbia to conduct similar

examinations of their own legislation and regulations. While this process is commendable in itself, it does not address the second problem that faces our society, that men and women play different roles in our economy and in our culture.

Differential Impact

These differences affect women and men in a variety of social, political, and economic ways. A few demographic observations should make clear just how different these situations are:

* * * *

Table 1

Selected Characteristics by Sex

	Women	Men
Percentages		
Percentage of those employed	40.0%	60.0%
Managers	4.2	14.9
Clerical/Sales workers	38.6	8.2
Skilled Blue Collar workers	2.5	23.2
Percent in labor force	52.4	75.3
Head of Household	15.4	84.6
Head of poor household	45.7	54.3
Black head of household	42.0	58.0
Black head of poor household	57.0	43.0
Claimed child care credit as single head of household	79.0	21.0
(Numbers in 1000's)		
Keeping house	32,276	479
Age 65 and over	15,492	10,699
Employed part time	10,879	5,165

Source: Employment and Earnings, May 1984; Stephen J. Rose, Social Stratification in the U.S., 3rd edition, Social Graphics Company, Baltimore: 1983.

* * * *

Table 1 shows women with a lower labor force participation rate than men, comprising 40 percent of those employed. Families headed by women presently have a median family income of $14,560 compared to married couple families, where the husband as the only worker has a median income of $21,164, and two-earner families where the median income is $33,436. Nearly 46 percent of all poor families are headed by women; 23 percent of all children under the age of 15 are poor. Women are also more likely than men to be elderly or to be employed only part time. These differences are only a sampling of the many ways in which men and women vary in the way they fit into society and the labor market. These differences have a large impact on the effect of taxation on men and women, as will be seen below.

The social security system provides a clear example of the impact of women's separate role in the economy. Social security benefits are calculated based upon an individual's earnings and the number of years of employment during which social security taxes were paid. Dependent spouses without work records sufficient to pay substantial benefits receive a benefit equal to half of the working spouse's retirement benefit. Divorced spouses also receive the same benefit as the current spouse. This arrangement leaves women with relatively low social security benefits, because by and large, women's work experience has been at lower pay and for fewer years than that of men. In addition, women are more likely than men to have worked in employment not covered by social security at all. Many women find that the benefits they earn by working are lower than the benefits they would receive by accepting half of their husband's earned benefit, as a dependent spouse.

The federal income tax code is also written as a gender-neutral system, but it affects individuals with different types and levels of income and

different types and levels of expenses in different ways. Since men and women differ systematically in the way they earn and spend income, they are necessarily treated differently within the tax system. For example, women have lower levels of income, on average, than men, and therefore, pay taxes at a lower absolute rate than men. For this very reason, women benefit less from tax cuts than men do. Women are also far more likely to be single parents than are men, are more likely to pay for child care, and therefore are more likely to receive the child care credit than are men. On the other hand, women cannot take advantage of such tax deductions as the deduction for credit card interest to the same extent that this deduction is available to men, if women experience discrimination in applying for and receiving credit.

Most states have a state income tax system, which is fraught with the same types of problems faced by women in the federal system. But states also have sales tax provisions which are thoroughly regressive. Low income earners pay a much higher proportion of their incomes in sales tax than high income individuals. In many states, even food is taxed. Property tax is also a regressive tax in many states. Homeowners often pay at a higher rate than the owners of large commercial buildings. Renters often pay a high premium within their rent bill, which covers the owner's property tax.

Even corporate taxation tends to affect women differently than it does men. Women are more likely than men to be employed in low-paying jobs in competitive industries which benefit less from tax credits, accelerated depreciation allowances, and the tax benefits of multi-national operations. Corporations which are able to benefit from favorable tax treatment are also those best able to pay relatively high wages, and they hire relatively fewer women.

The conception popular decades ago that the typical family consisted of a bread winning husband, a housewife, and several children is certainly not the typical case today, if it ever was. In 1981, 66 percent of all working women were either not married (single, widowed, divorced or separated) or were married to husbands earning less than $15,000 per year. These women are considered to be working for "economic reasons", and not for pin money.[1]

This paper explores many of the major types of federal, state, and local taxes paid in the United States, and examines the differential impact of those taxes on women as spouses, single parents, divorcees, women of color, survivors, retirees, the poor, the working poor, and the wealthy. It also considers women owners of small business, women workers, and homemakers. Each of these groups is affected in some particular way by the various elements of our system of taxation. Reform aims at "fairness" but this is probably an illusory goal. At best the system might strive toward establishing specific objectives, and modifying tax codes and regulations to attain those goals. What policy makers must understand, and what this paper addresses, is the fact that there is no such thing as a neutral tax, and therefore no such thing as a "gender-neutral" tax. Every tax discussed here has a differential effect on men and women, rich and poor, old and young, employed and not employed, parent and non-parent. The role of policy makers is to be conscious of the direct and indirect aspects of all taxation, and to develop tax policy with a clear understanding of whom will be affected and whether or not the effect is desirable. This is certainly no easy task, and the design of policy itself is beyond the scope of this paper. This paper simply suggests a way of looking at tax issues that recognizes that, for example, an across the board tax cut does not actually benefit all taxpayers equally.

Goals of Tax Policy

Before assessing the specific issues and policy considerations affecting women, it is useful to step back and determine the actual goals of tax policy. There are several principles on which we can probably all agree:

1. The tax should be a good raiser of revenue.

2. The costs of collecting the tax and enforcing compliance should be kept to a minimum.

3. The tax should only have those impacts on the overall economy that are considered favorable. Early economists believed that taxes should be neutral -- affecting neither the behavior of the individual taxpayer nor the behavior of the economy as a whole. Since Keynes, however, fiscal policy has become a major part of economic policy. Whether or not there is agreement with a given economic policy there is general agreement that tax policy should be consistent with economic policy goals. Questions of consumer choice, incentives for work vs. leisure, quantity of production, methods of production, relative output of consumer vs. capital goods, etc. are all areas where tax policy can affect planned economic programs.

4. The distribution of the tax burden should conform with the patterns of income and wealth distribution regarded as the optimum for our society. Taxes must be seen as fair and equitable, based on social values. Two major types of equity are the focus of public finance experts: horizontal equity and vertical equity. Horizontal equity is the rule of "equal treatment of equals;" i.e. that persons in the same circumstances should be taxed to the same extent. Vertical equity is the rule that persons who are in some sense better off than others should pay more taxes. There are long-standing debates on how to determine which persons are in the same circumstances, what constitutes "better-off", and on the appropriate relative burdens on persons in different circumstances.

The first two goals - good revenue-raising ability and minimum cost are easy to measure. The second two goals, consistency with economic goals and with equity in society, are far more difficult. They involve issues of redistribution of income, as well as altering society's incentives - to work or not to work, to start a new business or not, to save or to spend. The issues are every bit as much political as they are economic. Each local, state and federal administration influences economic policy and social equity through its actions in the tax arena.

This paper examines the social security tax, the federal income tax, federal gift and estate taxes, and other federal, state, and local taxes, to evaluate in a general way, their impact on income distribution, incentives, and the well being of women in our society.

Social Security

Social Security tax is paid by 92 percent of all American workers and their employers. Benefits are received by the workers themselves, when they retire or become disabled, by spouses, ex-spouses, and their dependents. Social security benefits were never intended to provide a person's full support in retirement, but merely to supplement other pensions and savings. Nevertheless, a large number of the 36 million adult social security recipients depend upon social security as their sole source of retirement income. Of all beneficiaries 54% are women.

The future solvency of the social security system has been a matter of concern, or at least a matter of debate in recent years. But the health of the system is not the issue that concerns us here. Rather, we will analyze two other aspects of the social security system: its tax burden and the payment of benefits based upon taxes paid.

As a tax, social security is regressive. It currently taxes only the first $37,800 of earned income and does not tax property income such as interest, dividends, and capital gains. Therefore, the higher a person's wages or salary above the taxable limit and the more unearned income a person receives, the lower that person's social security tax rate will be. Firms must pay a share of the tax as well, and the more highly paid employees a firm has the lower tax rate it will face.

What began as a small burden (in 1937 the combined employee and employer contribution was 2 percent of payroll up to $3000 of earnings) has taken a progressively greater share of GNP as time has passed, now nearly 6 percent.

As the payment of taxes raises questions of equity for the social security system, so too does the distribution of benefits. Benefits may be paid both to the former wage earner and to a spouse, a former spouse and dependent children. Benefits are paid to workers who qualify based on their contributions over 25 to 35 years worked. The rate at which benefits are paid is based upon an average of those years' earnings adjusted for inflation, the individual's "average indexed earnings." Benefits are calculated progressively, that is they are paid at higher rate to those whose earnings were lower. Retired workers receive benefits based on their contributions to the Social Security system and their average earnings at the age of retirement. Spouses may receive half of the retirees' benefits or they may receive benefits based on their own work experience. Ex-spouses, to whom the beneficiary had been married for at least ten years and who have not remarried, are entitled to the same spousal benefit as the current spouse. Table 2 shows the complexity of the system and illustrates the disproportionality between taxes paid and benefits received by the different families and individuals highlighted in the scenarios that follow.

The Social Security system affects women uniquely in several ways. First, it provides retirement benefits to individuals (mostly women) who have never paid contributions into the system in their own right. It also benefits women workers in its progressivity, as women workers tend to be lower paid than male workers. However, by providing that spousal benefits often exceed earned benefits, the system provides a strong disincentive for women to work, as their overall contribution may never yield them any benefits.

Table 2

Social Security Average Indexed Earnings and Benefits Paid, Selected Cases

	Average Indexed Earnings	Benefits	Survivor's Benefits
Sam	12,000	5,698	-0-
Sara (current spouse)	-0-	2,849	5,698
Ethel (ex-spouse)	-0-	2,849	5,698
		11,396	11,396
Single, childless person	12,000	5,698	-0-
George	6,000	3,778	
Phyllis (current Spouse)	6,000	3,778	3,778
Sue (ex-spouse)	-0-	1,889	3,778
		9,445	7,556
Frank	22,523	8,525	
Betty (as income earner)	6,000	3,778	8,525
Betty (as dependent)	-0-	4,260	8,525

Based on the formula [(.90 x $267) + (.32 x $1,345) + (.15 x remainder)] calculations by authors.

Consider the following case. Sara and Sam have been married for 25 years, during which time Sam worked in covered employment while Sara raised their children and occasionally worked part-time. Sara did not accumulate enough credits to qualify for Social Security benefits on her own. Sam was also previously married to Ethel for ten years. Ethel never remarried, and worked for the local government in non-covered employment. When Sam retired at age 62 in 1984 he was receiving average indexed earnings of $12,000 per year, or $1000 per month. His retirement benefit would be $5698 per year. His wife, Sara, would receive half of Sam's benefit, or $2849 per year, for a total yearly benefit of $8547. Sam's former wife, Ethel, would also receive half of Sam's benefit, $2849. If Sam should die before Sara and Ethel both women would be entitled to survivor's benefits, $5698 each, for a total of $11,396, the same total benefit paid while Sam was alive.

A single worker, who had an earnings record identical to Sam's would receive a benefit of $5698 until his or her death, and there would be no survivor's benefit paid.

In the case of a two-earner couple, George and Phyllis, who each qualify for benefits based on their work experience, the total benefit can be computed two ways. George's average indexed earnings of $6,000 entitle him to benefits of $3,778 per year. As his dependent, Phyllis would get $1,889, as would George's former wife of ten years, Sue. This gives George and Phyllis a total benefit of $5,667. But in this case, Phyllis qualifies for benefits in her own right. If Phyllis's average indexed earnings were also $6,000 per year, she would also qualify for a benefit of $3,778. The couple would receive a total of $7,556. Clearly in this case Phyllis would take her own earned benefit rather than the spousal benefit, which is lower. If George were to predecease both

Phyllis and Sue, Phyllis would get either George's survivor benefit or her own benefit, both of which are $3,778. For Sue, the divorced wife, the benefit would double upon George death, to $3816, (no doubt causing mixed emotions in the mind of the former wife.)

A third case is that of Frank and Betty. Frank has worked for 45 years in covered employment, and retires with the maximum allowable average indexed earnings of $22,523. His wife, Betty, has also worked for 45 years and retires with $6,000 average indexed earnings. In this case, Frank would receive annual benefits of $8,525. Betty's earnings would entitle her to benefits of $3,778 but this is 11 percent less than the $4,262 she would be entitled to as Frank's dependent. As a widow, Betty would receive Frank's benefit $8,525.

These few examples demonstrate some of the problems inherent in the Social Security system as it presently exists. First, vastly different benefits may be paid to families with equal contributions. The one-earner couple, Sara and Sam, received benefits of $8,547, while the two-earner couple with the same income, George and Phyllis, received only $7,632, 11 percent less. When Sam's former wife Ethel's benefit and George's former wife Sue are included, those totals rise to $11,396; and $9,445, a difference of 21 percent. In addition to the higher retirement benefits received by the family with a full-time homemaker, Sara and Sam's family has also had the tax-free benefit of Sara's work within the home, affording her family a higher standard of living than would be possible for a two-earner family with the same income.

On the other hand, the benefit paid divorced wives in general is quite low, and does not consider "years of service". A wife divorced at age 28 after ten years of marriage would be entitled to the same benefit as a wife divorced at age 58, after forty years of marriage. The older woman would have only a

limited opportunity to begin accumulating employment credits on her own account following her divorce.

The issue for tax policy that arises from an examination of the social security system is to establish a reasonable relationship between taxes paid and benefits received. To pay benefits solely to the wage earner (as was done in the earliest days of the system in the 1930's) ignores the real although unpaid, contribution of those who do housework. This contribution often enhances the ability of the employed spouse to earn income, but any extra income is credited to the employee's account, thus ignoring the real monetary value of the housewife's contribution. Some have suggested adding credits to the social security system for housework, so that the housewife would receive benefits based on her own work, rather than as a dependent of her husband. Suggestions for funding such a system range from having the family pay tax at the self-employed rate (which is lower than the combined employer-employee rate, but higher than the amount employees pay), to the argument that no contribution should be needed, since housewives currently receive benefits anyway. Such a change could reduce the inequity between wives with different numbers of years on the job and it could give housewives the status of having earned their benefits rather than being dependents.

Secondly, policy makers are continually examining the question of the level of benefits the system should pay. Presently, more than three million single retired women live on less than $6000 per year in income. Another nearly three million live on less than $12,000 per year.

Part of the problem of low benefits comes from the system's express goal of supplementing other retirement income and from the great expense that would come from trying to provide more complete support. But the greater problem with

the system is its policy of calculating benefits based on life time earnings, when women's employment has traditionally been less continuous and at lower pay than men's. The system of taxation and benefits that presently exists does very little to encourage married women to work outside the home.

The Federal Income Tax System

Introduction

President Reagan is fond of stating that the graduated income tax was all the idea of Karl Marx. In reality, Abraham Lincoln signed the first progressive income tax into law, and a similar tax was enacted in the Confederacy, long before most people in the United States had ever heard of communism. The Civil War tax was repealed in 1871 and the federal government reverted to raising revenues through sales taxes and tariffs. Considerable dissent over the regressive nature of these taxes raged for the next forty years, until the 16th Constitutional Amendment was ratified, clearing the way for a progressive income tax.

Since that time, the nature of the tax system has changed considerably, most notably in three ways. First, the rate of income taxation has risen substantially from 1.3 percent of personal income in 1940 to an average of more than 13 percent today. Second, the proportion of total income tax paid by corporations and individuals has shifted dramatically, from nearly equal in 1945, to the present situation in which individuals pay more than four times as much as corporations pay. The third major change has been an enormous increase in loopholes. On the corporate side $1.67 is lost through loopholes for every $1.00 collected. On the personal side $0.83 is lost for every tax dollar collected.

Almost everyone agrees that the current tax system is in need of reform. Hardly anyone agrees on what should be done about it. The growing perception that the tax system is unfair has led to increased attempts to avoid taxes on the part of individuals, as well as numerous proposals to make the system more equitable.

The macroeconomic figures - the growth in tax rates, the changing distribution of the burden - suggest that something might have gone awry. But to understand exactly where the problems lie, one must examine the microeconomics of the tax system, that is, who is affected by taxes and in what way?

The Federal income tax system has evolved into a gender-neutral system with regard to the tax code. Even the concept that the male is automatically the head of the household is on its way out. The impact of the tax system, however, is still felt very differently by women than by men due to women's separate place in our economy and our specific role within society.

The income tax system is based on the concept that those with higher incomes should pay higher rates of income tax. But at the same time, the IRS code allows various types of income to be taxed at different rates, and it allows some income to escape taxation because of deductions, tax credits and tax shelters. The nature of these tax rates and of the untaxable portions of income creates incentives and disincentives which help to direct individual behavior in ways considered socially desirable by policy makers. If men and women fit differently into the economy or respond differently to incentives and disincentives, then they will automatically be taxed differently. Our research shows that this is exactly what happens: the tax code is gender-neutral; the effect of the tax code is not.

This section of the paper examines the differential effect of the federal income tax system, focusing on the marriage tax, the earned income credit, the income tax threshold, the spousal IRA, and the dependent care credit.

The Marriage Tax

One of the most difficult problems of equity with which the federal income tax system has had to struggle is the issue of equity between married and single taxpayers in a progressive tax system. In the earliest days of income taxation, individuals were taxed on their own income, regardless of marital status. In those states allowing for community property, married couples soon realized that they could reduce their joint tax burden by dividing their total income between the two spouses. Inhabitants of common law states demanded the right to the same effective tax rate reduction, and by 1948 Congress had changed the law to allow the filing of joint returns. This opened the door to a new set of problems as tax rates have been adjusted for filers in different statuses in an apparently never ending battle to create equity between married and non-married, employed and not employed, parent and non-parent.

The problem which has attracted the most attention in recent years, and which has recently been reduced although not altogether eliminated, is the so-called marriage tax. The issue centers around the fact that two single income earners might experience an increase in their combined taxes if they married, because of the structure of the different tax tables. Table 3 illustrates this point, using the 1983 income tax tables.

* * * *

Table 3

Income Taxes Paid by Singles and Married Couples

	—Two Single People—		—Married Couple—	
	Tax	Rate	Tax	Rate
$10,000 income				
a. 50% - 50%	$404	4.0%	$494	4.9%
b. 70% - 30%	495	5.0	523	5.2
c. 90% - 10%	795	8.0	553	5.5
d. 100% - 0%	955	9.6	795	8.0
$20,000 income				
a. 50% - 50%	$1,910	9.5%	$2,041	10.2%
b. 70% - 30%	2,027	10.1	2,117	10.5
c. 90% - 10%	2,583	12.9	2,193	10.9
d. 100% - 0%	3,096	15.4	2,823	14.1
$40,000 income				
a. 50% - 50%	$6,192	15.4%	$6,913	17.2%
b. 70% - 30%	6,777	16.9	7,193	17.9
c. 90% - 10%	8,403	21.0	7,473	18.6
d. 100% - 0%	9,923	24.8	7,613	19.0

Assumptions — taxes taken from 1983 tax table, assuming one exemption per person and the standard deduction included in the table. For the married couple, the deduction available when both work has been taken in computing their tax.

Source: Computation by authors, 1983 federal income tax tables.

* * * *

As this table demonstrates, two single people pay lower taxes than a married couple with the same total amount of income, until the point at which one spouse's income is a fairly small percentage of the total. The $10,000 couple, each earning $5,000, pays 22 percent more in taxes when they marry. The $40,000 couple pays 12 percent more in taxes after marriage, when each earns $20,000. At the other extreme, when only one member of the couple earns income, marriage saves tax dollars.

This aspect of the federal income tax system is based on the premise that married taxpayers are supporting two people and, therefore, can less afford to pay tax than an individual with the same total income. What this premise neglects is the tremendous improvement in the standard of living available to the family with a full-time homemaker, that is not available to a single person or a two-earner family earning the same total income. The services provided and products produced by the homemaker are not included and taxed as part of the family's income, although they greatly enhance the standard of living the family is able to attain.

For two $40,000 couples, the magnitude of the disparity is much greater than for lower income couples. If Sean and Esther marry, and each earns $20,000, their combined tax would increase by $721. If Joan and Paul marry, and Paul earns $40,000 and Joan becomes a homemaker with no income, their combined tax falls by $2,310, although their standard of living presumably would have improved significantly.

This problem is admittedly a difficult one to solve. There has never been an attempt to tax "living standards," yet the reduction in tax when a single person marries a homemaker is clearly based on the notion that two cannot live as cheaply as one. Recent changes in the tax code have given two-earner couples some relief from the previously higher "marriage tax," but some disparity still remains, and it works to the detriment of two-earner couples.

The Earned Income Credit

The earned income credit is designed to help low-income tax payers with children. If the individual's or couple's earned income and adjusted gross income are both less than $10,000 slightly above the poverty rate for a family

of four, the a taxpayer can get a refund of up to $500 even if she or he paid no taxes. The amount of the credit is determined according to the earned income credit schedule. Examples of the amounts of credit available at different levels of earnings are shown below:

* * * *

Table 4

The Earned Income Credit

Earned Income	Tax Due	Credit	Net due (refund)
$3000	-0-	$303	$(303)
5999	184	500	(316)
8000	442	247	195
9999	725	3	722

Source: 1983 federal income tax tables computations by authors.

* * * *

As the table shows, the amount of credit increases as earnings rise to $6000 per year, then the credit decreases to zero at $10,000. The credit is not avalable to individuals who have no earned income, but is it available to those who have unearned income (interest, dividends, social security, worker's compensation, etc.) as long as the total adjusted gross income does not exceed $10,000. Since women disproportionately earn less than $10,000 per year, women will be disproportionately benefitted by this credit.

The Dependent Care Tax Credit

Another tax credit which disproportionately benefits women is the credit for child and dependent care. This credit is often described as the one which "allows women to work." What the credit actually does is to subsidize child and dependent care costs, thus helping a caretaker afford those costs. Since the overwhelming majority of the time, the mother is charged with child care, this is viewed as a women's benefit. But it is only because women bear the disproportionate share of the responsibility that they receive the disproportionate share of the tax credit. In 1979, the last year for which these data were compiled, nearly four times as many female as male non-joint filers claimed the child and dependent care credit.

Although the tax credit for child care is certainly to be applauded, it comes nowhere near alleviating the problem of costly child care. Many would argue that tax policy alone cannot or should not solve this entire problem. Table 5 illustrates the magnitude of the costs involved.

A minimum wage worker earns $3.35 per hour, which is $134 per week or $6,968 per year. If child care costs an average of $40 per week, or $2,080 per year, this worker receives an income tax credit of $624. However, this credit only applies to taxes owed. Since this worker would owe only $306 in federal income taxes, in the absence of the credit, $318 of tax credit cannot be used by the taxpayer. Child care costs, even after the tax credit claim 30 percent of this minimum wage worker's pay, leaving her with less than $5,000 for all other expenses.

The minimum wage worker who places two children in relatively inexpensive child care at $40 per week can take advantage of only $184 of the $1,248 tax credit to which she is entitled. Her child care costs take 60 percent of her budget. In this situation, the mother faces basically two choices. First, she could take her children out of paid day care to join the estimated 1 child in 6 under the age of 13 who has no organized care at all.[2] Second, she could quit her job to care for her children herself, supported by various social programs. Neither of these choices can be considered optimal from a long-range social perspective. The problem could be attacked in a number of ways, from providing child care insurance similar to medical insurance, to providing federally or state funded child care services as public education is now provided. The Federal government uses tax policy in two ways to subsidize child care, first through the dependent care tax credit, which costs $1.5 billion per year, and second through allowing employers to provide child care services or vouchers as tax-free benefits. The problem with both of these approaches is that they benefit upper income families more than the poor.

This is not a problem solely for poor women, however. Child care costs can be a serious drain on the budgets of women with higher incomes as well. The median income for a female head of household is $13,500. If she places two children in a moderately priced day care center, she would pay $4,160 per year, or 31 percent of her income. The tax credit to which she would be entitled would be $1,164, one dollar more than her tax liability. She would be unable to take advantage of the maximum tax credit of $1,344 even if she paid more for child care.

Table 5

Effect of Dependent Care Tax Credit
on Female Heads of Household

	Gross Income	Child Care Cost ($40/wk.)	Tax	Tax Credit	Net[1/]	Child Care Costs as % of After Tax Budget
Minimum wage worker						
1 child	$ 6,968	$2,080	$ 306	$ 624	($ 318)	30%
Minimum wage worker						
2 children	$ 6,968	$4,160	$ 184	$1,248	($1,064)	60%
Median wage for Female Head of Household						
1 child	$13,500	$2,080	$1,343	$ 582	$ 761	16%
Median wage for Female Head of Household						
2 children	$13,500	$4,160	$1,163	$1,164	($ 1)	31%

1/Under the current tax code, excess dependent care tax credits are not refunded. The taxpayer simply has no tax liability.

Source: Authors' computations based on 1983 Income Tax Code.

The Income Tax Threshold

Included in the federal income tax tables is an "income tax threshold", an amount of income below which no income tax is paid. This threshold is justified on the basis that income tax should be based on the ability to pay. The government also computes various "poverty levels," amounts of income below which families of various sizes are considered poor. Single persons have the lowest poverty levels; large families the highest. The relationship between the income tax threshold and the poverty level has been quite variable over time, as Table 6 shows. From 1975 through 1980, the income tax threshold exceeded the poverty level, for a family of four, that is, such poor families paid no taxes. But beginning in 1981, the income tax threshold fell below the poverty line, meaning that poor families now pay taxes. By 1985, the gap between the two measures is expected to grow to - (21.5 percent), meaning that families of four whose annual income is $2500 less than the poverty line, will be paying income taxes, even after the earned income credit is included.

Table 7 shows the amount of taxes paid by families of different sizes at the poverty level for the years 1978 to 1985. In 1978, poor families, except for single people, paid no income tax, and in some cases, received refunds based on the earned income credit. This refund partially offset the tax for social security which is paid on all earned income, and has no threshold. The combined tax as a percent of income shown in Table 7 for 1978 was no more than 6.1 percent for families of two or more. By 1985, the total paid had risen to more than 10 percent for most family sizes, due to the increase in the payroll tax and in income tax rates.

Table 6

RELATIONSHIP BETWEEN INCOME TAX THRESHOLD AND POVERTY LEVEL FOR A FAMILY OF FOUR, 1959–1986

Year	Income tax threshold	Poverty level	Percentage gap between tax threshold and poverty level
1959	$2,667	$2,973	−10.3
1960	2,667	3,022	−11.7
1965	3,000	3,223	−6.9
1966	3,000	3,317	−9.6
1968	3,000	3,553	−15.6
1969	3,000	3,743	−19.9
1970	3,600	3,968	−9.3
1971	3,750	4,137	−9.4
1972	4,300	4,275	+0.6
1973	4,300	4,540	−5.3
1974	4,300	5,038	−14.6
1975	6,692	5,500	+21.7
1976	6,892	5,815	+18.5
1977	7,533	6,191	+22.0
1978	7,533	6,662	+13.1
1979	8,626	7,412	+16.4
1980	8,626	8,414	+2.5
1981	8,634	9,287	−7.0
1982	8,727	9,862	−11.5
1983	8,783	[1] 10,166	[1] −13.6
1984	8,783	[1] 10,613	[1] −17.2
1985	8,936	[1] 11,101	[1] −19.5
1986	9,102	[1] 11,601	[1] −21.5

NOTE.—Tax thresholds assume full use of the earned income tax credit.

[1] Estimated.

Source: Joint Committee on Taxation "Federal Treatment of Families Below the Poverty Line" Washington, D.C.: U.S. Government Printing Office, 1984.

Table 7

TAX THRESHOLDS, POVERTY LEVELS, AND FEDERAL TAX AMOUNTS FOR DIFFERENT FAMILY SIZES WITH EARNINGS EQUAL TO THE POVERTY LEVEL, 1978–1985

	Family size					
	1	2	3	4	5	6
Income tax threshold:						
1978	$3,200	$5,200	$6,930	$7,520	$8,183	$9,167
1982	3,300	5,400	8,237	8,727	9,216	9,706
1983–84	3,300	5,400	8,315	8,783	9,251	9,719
1985	3,445	5,638	8,447	8,936	9,424	9,913
Poverty level:						
1978	3,311	4,249	5,201	6,662	7,880	8,891
1982	4,900	6,280	7,690	9,860	11,680	13,210
1983	5,052	6,475	7,928	10,166	12,042	13,620
1984	5,274	6,760	8,277	10,613	12,572	14,219
1985	5,517	7,071	8,658	11,101	13,150	14,873
Income tax at poverty level:						
1978	16	0	−280	−134	−12	0
1982	202	106	−134	285	417	491
1983	206	118	−91	318	431	507
1984	226	150	−9	365	480	570
1985	237	158	50	383	504	599
Payroll tax at poverty level:						
1978	200	257	315	403	477	538
1982	328	421	515	661	783	885
1983	338	434	531	681	807	913
1984	353	453	555	711	842	953
1985	389	499	610	783	927	1,049
Combined income and payroll tax at poverty level:						
1978	216	257	35	269	465	538
1982	530	527	381	946	1,200	1,376
1983	544	552	440	999	1,238	1,420
1984	579	603	546	1,076	1,322	1,523
1985	626	657	660	1,166	1,431	1,648
Combined tax as percent of income at poverty level:						
1978	6.5	6.1	0.7	4.0	5.9	6.1
1982	10.8	8.4	5.0	9.6	10.3	10.4
1983	10.8	8.5	5.5	9.8	10.3	10.4
1984	11.0	8.9	6.6	10.1	10.5	10.7
1985	11.3	9.3	7.6	10.5	10.9	11.1

Source: Joint Committee on Taxation "Federal Treatment of Families Below the Poverty Line" Washington, D.C.: U.S. Government Printing Office, 1984.

The tax cuts enacted in recent years have not been without effect for the poor, that is households with earnings of less than $10,000 will pay on average $20 less in taxes than they would have otherwise. However, their 1984 tax burden is still substantially more than it was only six years ago, even after the tax cut. Families earning $80,000 or more will pay an average of $8,390 less tax than before the cuts.

One major cause of the increased taxes paid by poor families is that the poverty level is adjusted each year to account for inflation, but the tax threshold, personal exemption, and earned income credit are not. Bracket creep also contributes to the problem. This is the tendency of money incomes to rise and push taxpayers into higher tax brackets without a corresponding increase in real income or purchasing power. Indexing, that is adjusting the tax brackets and the personal exemption, but not the earned income credit, is set to begin in 1985. A Treasury Department estimate finds that the repeal of the indexing plan now being discussed on Capitol Hill will increase the tax liability of families earning below $10,000 per year by 10 percent while it would increase the liability of families earning in excess of $100,000 by 2 percent, since many of these families are already paying the top marginal tax rate of 50 percent, and would not be helped by indexing.

The Spousal IRA

Under today's law, wage earners may establish Individual Retirement Accounts (IRAs), and contribute up to $2,000 in tax-deferred income per year. In addition, if a spouse has no earned income, the income earning spouse may establish a spousal IRA, so that the two IRAs total $2,250 or less, and neither

is greater than $2,000. Families with two wage-earners, therefore, can shelter $4,000 per year from income tax, while one-earner families can shelter only $2,250. If one spouse in the two-earner family earns less than $2,000, that spouse's contribution is limited to his or her earnings.

The Reagan Administration proposes raising the limit on spousal IRAs to $2,000, if the spouse has no earnings, but retaining the provision that the contribution cannot exceed earnings if the spouse has any earnings at all. Arguing that this proposal discriminates against part-time or part-year workers in favor of homemakers and full-time workers, opponents of the Administration's measure propose in the Economic Equity Act allowing each spouse to contribute $2,000 to an IRA regardless of income.

This debate centers around a moot question for most women, however. For nearly 70 percent of married couple families, $4,000 represents at least 11 percent of gross family income which is nearly double the average rate at which Americans save. For 75 percent of all non-retired single women, $2,000 is 11 percent or more of their gross income. This means that only relatively high income families can comfortably spare $4,000 per year to shelter in IRA accounts. Nevertheless, reform, especially as proposed in the Economic Equity Act, eliminates the questionable discrimination against homemakers and part-time workers.

Summary on Federal Income Tax

The Federal income tax system represents an amalgam of incentives and disincentives, some effective and some not which encourage and discourage marriage, encourage and discourage homemaking or work outside the home. The marriage tax discourages the marriage of two-earner singles, but encourages the marriage of a single earner and a homemaker. The dependent care credit

encourages parents to work outside the home, but its benefits fail to help many of the poor. The spousal IRA, particularly the current Administration's proposed changes discourage part-time work. Economists are unclear about exactly how strong an incentive most taxes create at low levels of earnings. At higher levels of income incentives such as home mortgage interest deduction are thought to have a very strong effect on behavior. Whatever the true impact of these various tax incentives, the system needs to be scrutinized to remove the contradictory messages it sends the population, and to ensure that it promotes socially desirable goals.

Gift and Estate Taxes

When individuals receive a gift or a bequest, i.e., a gratuitous transfer, through an estate, they experience a gain in economic well-being but a gain which U.S. tax laws treat differently from other gains in income or wealth. There are several reasons for this disparate treatment. First of all, many estates pass from decedent to a spouse or minor children, and as such do not represent a real improvement in the economic well-being of the beneficiaries, since even without title to the estate they had already had full use of the property. (In fact, they are probably worse off because the death of the spouse or provider resulted in loss of family income.) Second, gratuitous transfers are highly irregular from year to year and, therefore, are not easily adaptable to income taxation. Third, many gifts are in small amounts or in kind and are very difficult to detect.

Because historically most women have been financially dependent on their husbands and because women usually survive their husbands, the impacts of gift and estate taxes have usually fallen on women. Women, especially those with minor children, found themselves no better off by holding title to property than

they had been with full use of it, yet they owed tax — and at a time when the husband's income had disappeared. Small credits, high marginal tax rates and limited marital deductions have been issues long resented by women facing the tax burdens on their husbands' estates. Federal estate taxes mean to exempt small- and moderate-sized estates but inflation constantly pushes the value of estates and gifts into higher tax brackets and can thus force families to liquidate small farms, ranches and businesses in order to pay the inheritance taxes. High marginal tax rates can force the sale of middle-sized family and closely-held businesses, too. But most difficult probably has been the so-called "widow's tax" which arose from limited marital deductions. Because the maximum estate tax marital deduction generally has been limited to a decedent's adjusted gross estate when an entire estate was bequeathed to the remaining spouse, half of the estate was usually subjected to a tax even though the property remained within the marital unit. When the property was later transferred, often to surviving children, at the death of the surviving spouse, the entire estate was subject to taxes. The cumulative tax effect was one-half on the death of the first spouse and again fully on the death of the second spouse, thus subjecting the property to taxation one-and-a-half times, with the unfair burden usually falling on widows.

Gift and estate taxes have had these consistent problems. They also have never been important raisers of revenue, partly because of high exemptions, partly because of numerous loopholes.[3] Since passage of the Economic Recovery Tax Act (ERTA) of 1981 some of the unfair burdens are being addressed but they are causing gift and estate taxes to become even less important as revenue producers. It is estimated that by 1987, only 0.3 percent of all estates will pay any Federal death transfer taxes at all,[4] and the 0.3 percent will be taxed

at a lower rate. This virtual elimination of the federal estate tax, helps women especially, since women, on average, outlive men by eight years.[5] Three changes provided by ERTA estate and gift tax provisions are especially important:

1. ERTA provides for an increase in the unified credit, over a six-year period, to increase from $47,000 to $192,800, with no estate or gift tax on transfers aggregating $600,000 or less.

2. ERTA reduces the maximum estate and gift tax rate from 70 percent to 50 percent over a four year period. This provision is especially meant to help prevent the forced sales of closely held and family businesses after the death of a spouse.[6]

3. ERTA eliminates the so-called "widow's tax," by providing for an unlimited marital deduction. Congress has provided for unlimited lifetime transfers between spouses without the imposition of any estate or gift tax.

Women, especially women whose household wealth is substantial, should applaud the reforms of ERTA. Women of limited means are virtually unaffected by any ERTA reforms on estate and gift taxes since they do not usually pay these taxes. Or are they? The revenue shortfall from these reforms must either be made up by other taxpayers or be reflected in reduced federal expenditures.

Other less obvious inequities exist. Single women of means do not nearly get the advantages for their households that they could achieve if they were not married. There will, after 1987, be no estate tax if the total assets of husband and wife are $1.2 million or less, but if an individual is single, there is an estate tax for assets above $600,000. Whereas the annual gift tax exclusion under ERTA was increased from $3,000 to $10,000 per donee, if a household consists of both husband and wife, and they agree to split a gift of

property, they are entitled to a maximum exclusion of $20,000 per donee. Households headed by females cannot pass on to their beneficiaries the same gifts and estates as households headed by both husband and wife.

Some of these reforms are being challenged currently within the Congress. Last month Business Week[7] predicted that Congress would take back and freeze the scheduled $600,000 credit at $325,000. This is a take-back that would obviously affect only the wealthiest in U.S. society, especially since the exemption doubles to $650,000 if the estate is split 50-50 between a spouse and children or others. Nonetheless, the take-back among those affected would primarily be a loss to women.

Another reform currently before the Congress could negatively affect women. Currently the beneficiaries of an employee who dies before retirement and passes along a Treasury-qualified pension can get up to $100,000 in a lump-sum payout free of taxation. Aimed at raising revenue, this $100,000 break may be eliminated -- a harsh blow for the survivors, usually a wife. This provision, which would hurt women, is being considered in order to raise revenue, in stark contrast to a benefit liberalization that some consider likely to pass, that would only affect the very rich. Today there is a tax on all generations of heirs, but Congress is considering reopening the use of generation-skipping transfers of property from parent to child to grandchild, using trusts to eliminate the estate tax on the middle generation.

Recent months have brought reform to one of the last major areas of overt sex discrimination in gift and estate taxes, that of gender-specific actuarial tables which are used to value reversionary interests. A federal district court ruled in October 1983 that use by the Internal Revenue Service (IRS) of gender-based mortality tables was unconstitutional. The suit was filed by

Manufacturers Hanover Trust Co. as executor of the estate of Charlotte Wallace. Ms. Wallace died in 1976, retaining a reversionary interest in a trust she established in 1923. Using the life tables in sections 20.2037-1, 20.2031-7, and 20.22031-10, the IRS determined that the present value of Ms. Wallace's reversionary interest in the trust should be included in her gross estate under section 2037. In response to this IRS decision, Manufacturers Hanover filed a refund suit, claiming that the life tables in the regulations were gender-based, with the result that Ms. Wallace's reversionary interest exceeded five percent of the value of the trust corpus. If Ms. Wallace's reversionary interest had been calculated under gender-neutral life tables, on the other hand, according to Manufacturers Hanover, it would not have exceeded the five percent threshold for inclusion in the gross estate. Hence, argued Manufacturers Hanover, the use of gender-based tables was unconstitutional. U.S. District Judge Steward agreed and held the use of gender-based mortality tables to value a decedent's reversionary interest constitutes impermissible discrimination under the Fifth Amendment.[8] The court found that the use of gender-based mortality tables "does not serve an important government interest and does not bear a substantial relationship to the objective of accurately valuing reversionary interests for federal estate tax purposes."[9]

The ruling struck down Treasury Department regulations that governed mortality tables used to value reversionary interests for purposes of section 2037. The responses of the federal government Executive Branch since that ruling have seemed less than consistent. The Internal Revenue Service on October 31, 1983 published a proposal in the Federal Register to shift from gender-based to gender-neutral tables. But the Solicitor General authorized an appeal in this case and on February 10, 1984 an Assistant U.S. Attorney for the

Southern District of New York filed an appeal, "based solely on the issue of the constitutionality of the IRS's use of its sex-based regulations and mortality tables in valuing reversionary interests to determine estate tax liability."[10] Subsequent to this appeal the IRS officially adopted these long-discussed unisex tables (published in the Federal Register of May 11, 1984) that do not differentiate between the life spouse of men and women for valuati purposes.[11] These tables apply to annuities, to life estates, terms of years, remainders, and reversions, and they overlap the income, estate, and gift tax fields.

These new gender-neutral tables do not, however, remove all gender diffentiation from U.S. tax regulations. Five examples of gender differentiation that remain, even after some 30 paragraphs of the current regulations have been modified, were cited in a letter from Michigan Congressman John Dingell, Chair of the House Committee on Energy and Commerce, to Internal Revenue Service Commissioner Roscoe Egger, Jr. The following five regulations either require or enable the use of gender-based tables.

—IRS Regulation 1.72-1, et. seq., including Tables in 1.72-9, which sets the amount of employees investment in an annuity which the annuitant can deduct before paying income tax on benefits received.

—IRS Regulation 1.101 - 2(e)(1)(iii)(b)(1) and (b)(2), which sets the value of employer-provided annuity death benefits payable to a retiree or beneficiary excludable from gross income.

—IRS Regulation 1.401(j)-4(a)(ii), which sets the cash surrender value of insurance or annuity under a fully insured defined-benefit Keogh plan.

—IRS Regulation 1.403(b)-1(d)(ii)(ii), which sets the amount of employer contribution to tax-sheltered annuity when the exact amount is not known, excludable from employee's gross income in determining the latter's taxable income.

—IRS Regulation 1.408-2(b)(6)(iv), which sets the amount of required withdrawals from an Individual Retirement Account beginning at the end of the taxable year in which the IRA owner becomes 70 1/2 years old.

Despite efforts by Dingell to have federal tax regulations complete the process of gender neutralization, IRS failed to eliminate these aspects of gender-based valuation. It is important to note that the use of sex-based tables has never been required by the Internal Revenue Code itself. It is not the code but rather IRS regulations, adopted in January 1971 that established sex-based regulations as the method for determining tax obligations and liability.

Estate and gift taxes, have always been and today even more are the domain of those with assets in U.S. society, especially the near wealthy and wealthy. Any liberalization of such taxes reduces revenue and therefore is against the interests of poor and working women. Any reforms which fail to equalize burden between men and women are against the interests of all women, rich and poor.

Federal Corporate Income Tax

U.S. tax laws that provide tax credits for profits earned overseas and defer tax liabilities on unrepatriated earnings encourage U.S. businesses to expand outside of U.S. borders. The jobs lost through lack of domestic expansion, or directly through U.S. plant closings followed by foreign expansion, are often the lower and semi-skilled jobs of trades dominated by women. The manufacture of textiles, apparel, electronic components and accessories, and radio and TV electrical receiving equipment are cases in point. Each of these product areas represent goods once largely produced in the U.S. but increasingly imported today. Each of these product areas has a greater share of women employees than the private work force generally (See Table 8). Those 20 industries, whose employment was most negatively impacted by trade, according to a U.S. Labor Department study,[12] had a female work force of 41 percent. These included such especially female-dominated industries as apparel, non-rubber footwear, other leather products, knit apparel mills, and fabicated textiles, all of which had work forces which were more than 57 percent female. The 20 industries that were most positively impacted by trade, on the other hand, had a female work force of only 21 percent.

U.S. tax laws are not, of course, the only factor influencing the location of industry, but they can be an important factor. According to the former chief economist for the AFL-CIO:[13]

> "What government policy there is has tended to encourage rather than discourage the export of technology. The tax provisions of foreign income which make foreign investment more attractive than domestic investment are an example. Both the dollar tax credit on profits earned overseas, and the deferral of tax liability on unrepatricated foreign income are a case in point."

Table 8

Employment of Women by Industry

Industry	Percent Women of all Employees
Textiles	47.4 percent
Apparel	80.7
Electronic Components and Accessories	71.3
Radio and TV Receiving Equipment	52.3
Total, private sector	43.4 percent

Source: U.S. Department of Labor, Employment and Earnings.

State and Local Taxes

Despite the $171.4 billions dollars collected in 1983 by state and local government,[14] taxes are a declining share of the total revenues of these levels of government. This is true even though the transfer of federal funds to state and local governments has declined. Licenses, fees, borrowing, lotteries in 13 states, as well as revenue from liquor stores operated in 17 states, the contributions and investment earnings received by employee-retirement, unemployment compensation, and other insurance trust systems of State government,[15] make up the non-tax share of state revenues.

Whereas taxes tend to be based in a philosophy of "ability to pay", fees, licenses, etc. are more often based in a public finance philosophy of benefits received. To the extent that the state and local tax systems are pledged to providing services, in the public interest, which in many cases exist

specifically because of the inability of certain individuals to pay, state and local tax systems of this nation are placing increasing burdens on the poor, who are disproportionately women.

In addition, the total U.S. system of collecting tax revenues is increasingly at the state and local level, increasing from 38.2 percent of the total revenue during the fourth quarter of 1981 to 43.3 percent in the fourth quarter of 1983.[16] In 1983, while state tax collections rose 9.7 percent and local government tax revenues climbed by 8.0 percent, federal tax collections actually fell, by 1.1 percent with corporation net income tax revenues falling by 2.7 percent.[17] This has an important negative effect on the poor. Whereas federal taxes have tended to be progressive; i.e., that the less one's ability to pay, the lower one's relative tax burden; state and local taxes have traditionally been regressive; i.e., the less one's ability to pay the greater the relative tax burden.

The tax variations from state to state and within each state are substantial. While the largest tax revenue producer for 42 of the 50 states 1 is still the sales tax, (all but Alaska, Delaware, Massachusetts, Minnesota, Montana, New York, Virginia and Wyoming), state income taxes are a growing source of revenue. While property taxes are still the predominant source of revenue at the local level, its dominance has fallen in recent years. The so-called "tax revolt" of the 1970's led to substantial legislative and citizen-mandated changes in local and state tax programs. And, as a matter of course, changes are made each year that affect tax collections. In at least five states for example (See Table 9), corporate net income tax provisions, in 1983 were reduced or relaxed. Because through the 1970's "the number of self-employed women grew five times faster than the number of self-employed

Table 9

Revisions Affecting State Tax Collections of Net Corporate Income Tax in Five States 1983

State	Revision to Corporation Net Income Tax
Colorado	Tax rates decreased applicable to the 1982 tax liability
Hawaii	Tax credits were allowed for the 1982 tax liability
Minnesota	Rate decreases became applicable 1/1/82
New Mexico	Banks and financial corporation became exempt from tax effective 1/1/82.
Ohio	Tax rates decreased applicable to the 1983 tax year.

Source: Bureau of Census, GT83 No.4, 4/84

men"[18] new women businesswomen especially, but all businesswomen and businesspeople generally, have been favorably affected in these states. On the other hand, in three states (Maine, Nebraska, and West Virginia) corporation net income tax rates in 1983 were increased and in West Virginia a surtax was imposed as well.[19] It is hard to generalize with so many distinct systems.

State Taxes. Each state has a different constellation of taxes, tax rates, and tax regulations. Major among the states are eight types of taxes: sales and gross receipts, licenses, individual income, corporation net income, severance, property, death and gift, and documentary and stock transfer. (See Table 10 for detail on number of states and amount of revenue from each tax for each state). Some of the taxes are based only on benefits received, e.g., licenses, others on ability to pay, e.g., individual and corporation income taxes. Some, like income taxes, are progressive at their lower scales. Nearly

Table 10

STATE SUMMARY

State Government Tax Revenue, by Type of Tax: 1983

(Thousands of dollars)

State	Total	Sales and gross receipts[1]	Licenses[2]	Individual income	Corporation net income	Severance	Property	Death and gift	Documentary and stock transfer	Other
Number of States using tax	50	50	50	44	44	32	43	49	28	14
All States	171,370,096	83,840,134	10,651,435	49,788,367	13,152,303	7,396,743	3,280,844	2,544,640	677,003	38,227
Alabama	2,341,229	1,385,536	119,384	556,390	135,717	77,144	53,285	9,179	6,394	(X)
Alaska	2,046,086	74,614	56,316	1,540	266,302	1,494,034	152,580	700	(X)	(X)
Arizona	2,060,817	1,145,486	140,594	480,716	160,429	(X)	121,358	12,234	(X)	(X)
Arkansas	1,337,881	706,762	112,428	388,341	86,921	28,393	4,558	7,229	2,608	661
California	22,259,976	9,932,672	846,144	7,649,231	2,353,948	28,684	740,021	489,276	(X)	(X)
Colorado	1,743,225	885,909	99,359	633,491	56,184	27,056	5,272	9,118	(X)	4,836
Connecticut	2,537,725	1,798,600	128,045	178,535	357,364	(X)	11	75,169	(X)	1
Delaware	639,361	90,052	176,263	313,986	29,790	(X)	(X)	16,619	12,550	1
Florida	6,224,717	4,795,751	444,038	(X)	371,453	137,923	131,327	79,335	264,880	(X)
Georgia	3,504,220	1,784,280	187,037	1,342,092	238,834	(X)	14,290	11,865	5,070	752
Hawaii	1,130,303	755,861	17,687	347,016	22,026	(X)	(X)	6,416	1,497	(X)
Idaho	620,033	288,608	71,919	223,774	31,114	806	242	3,572	(X)	(X)
Illinois	7,420,382	3,869,061	438,628	2,200,670	603,900	(X)	145,025	138,544	4,554	(X)
Indiana	3,194,741	2,009,813	153,309	819,220	139,968	1,616	28,575	42,240	(X)	(X)
Iowa	2,014,289	889,277	195,156	724,127	138,483	(X)	(X)	65,148	2,098	(X)
Kansas	1,565,625	728,372	111,243	530,657	141,367	2,339	24,232	27,435	(X)	(X)
Kentucky	2,601,949	1,387,337	131,423	647,170	172,120	221,445	203,340	38,317	797	(X)
Louisiana	3,011,347	1,356,288	196,701	229,261	321,372	869,465	2,750	35,510	(X)	(X)
Maine	780,052	421,911	63,883	235,933	33,043	(X)	12,541	11,699	1,062	(X)
Maryland	3,468,193	1,546,318	136,438	1,458,634	148,423	(X)	112,213	29,396	29,847	8,906
Massachusetts	5,155,631	1,735,723	159,308	2,472,278	460,634	(X)	2,110	111,830	13,708	(X)
Michigan	7,022,658	2,773,197	344,545	2,567,038	1,004,269	81,371	144,344	63,894	(X)	(X)
Minnesota	4,319,483	1,698,291	282,331	1,977,991	253,970	84,693	4,131	18,497	19,579	(X)
Mississippi	1,537,705	1,023,288	120,915	201,114	68,784	114,628	923	8,063	(X)	(X)
Missouri	2,640,323	1,387,915	210,009	885,272	118,625	25	6,210	31,826	(X)	443
Montana	513,658	107,323	47,989	151,784	35,825	137,599	26,027	6,398	(X)	713
Nebraska	987,454	360,787	81,100	280,862	51,635	5,217	3,570	3,131	1,432	(X)
Nevada	779,338	469,071	84,152	(X)	(X)	(X)	24,115	(X)	(X)	(X)
New Hampshire	329,458	158,975	56,568	16,727	73,960	83	5,545	10,580	7,020	(X)
New Jersey	6,128,035	3,309,264	478,007	1,440,183	664,415	(X)	68,224	147,861	20,081	(X)
New Mexico	1,163,021	656,835	82,548	16,626	41,742	351,343	9,056	4,871	(X)	(X)
New York	16,207,894	5,727,816	354,837	8,273,754	1,339,005	(X)	(X)	283,854	26,728	(X)
North Carolina	4,028,477	1,763,988	296,402	1,550,107	306,534	1,197	62,003	48,246	(X)	(X)
North Dakota	526,006	219,338	51,938	35,136	30,594	184,527	1,746	2,727	(X)	(X)
Ohio	6,734,008	3,685,835	469,132	1,972,089	415,017	3,968	109,342	78,625	(X)	(X)
Oklahoma	2,627,487	800,614	254,891	651,302	103,325	777,687	(X)	32,740	3,441	1,587
Oregon	1,783,670	211,859	182,136	1,181,731	125,110	49,662	159	31,841	1,172	(X)
Pennsylvania	8,430,271	4,175,875	927,887	2,044,544	830,108	(X)	117,783	230,618	83 456	(X)
Rhode Island	726,421	374,083	29,735	261,139	42,446	(X)	7,725	9,987	1 306	(X)
South Carolina	2,112,640	1,140,747	89,311	718,861	128,180	(X)	8,671	15,658	11,212	(X)
South Dakota	334,587	279,173	28,352	(X)	2,565	5,676	(X)	8,821	(X)	(X)
Tennessee	2,246,288	1,704,157	214,928	52,151	203,858	3,419	(X)	37,072	21,925	8,718
Texas	9,819,075	5,671,153	999,948	(X)	(X)	2,254,728	1,109	92,137	(X)	(X)
Utah	974,098	527,377	47,282	345,813	51,592	19,688	369	1,977	(X)	(X)
Vermont	358,097	175,176	38,134	113,779	25,400	(X)	477	1,376	3,259	500
Virginia	3,477,988	1,440,702	208,536	1,549,147	183,215	1,347	33,865	17,819	37,202	4,155
Washington	4,191,161	3,116,201	234,267	(X)	(X)	41,122	691,394	27,975	80,202	(X)
West Virginia	1,470,331	1,005,196	87,234	310,583	45,146	(X)	1,041	16,765	2,662	1,704
Wisconsin	4,296,576	1,825,864	205,079	1,734,056	339,781	952	109,314	67,257	9,021	5,252
Wyoming	735,902	241,903	55,939	(X)	(X)	388,896	45,971	3,193	(X)	(X)
EXHIBIT: District of Columbia	1,317,467	423,792	34,226	351,414	82,878	(X)	375,808	19,187	30,162	(X)

Note: See table 9 for information on particular taxes and additional analytical detail.

X Not applicable.
[1]For additional detail, see table 4.
[2]For additional detail, see table 5.

Source: U.S. Bureau of the Census, GF83 No. 1, 1/84, p.7.

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all are regressive in their overall impact if not at each level. The poor, and, therefore, women, bear a larger relative burden of state taxes. In actual dollar amounts the variation is also quite large from state to state. Per capita tax revenue in 1983 ranged from $45.34 in New Hampshire to $4,487.03 in Alaska. In three states the per capita was under $500 in 1983; in five states it was over $1,000. (See Table 11) Sales tax revenue amounted to over 70 percent of total state tax revenue in 6 states and under 25 percent in 4 states, with an average of 49 percent. While the average share of tax revenue coming from individual income tax averaged 29.1 percent, the share ranged from zero to over 66 percent. (See Table 12)

One tax variation across the 50 states that affects all Americans directly, but the poor and, therefore, women disproportionately, is the treatment of food by a particular states sales tax. While the vast majority of states exempt the purchase of food from their sales tax, seventeen states tax food. Because food is a basic necessity and an especially large percentage of a poor household's budget, taxing food is an exceedingly regressive tax, and it affects the living standards of the poor very directly. Nonetheless 67 percent of those states that tax food have a per capita income under $10,000 a year. (See Tables 13 and 14) Put another way, of the poorest 16 states in the United States (those with annual per capital income under $10,000), 75 percent of them taxed food. In those states where a food tax would most greatly burden their citizens, there was the greatest liklihood of that tax' existing.

Individual income taxes vary immensely from state to state. Six states (Florida, Nevada, South Dakota, Texas, Washington and Wyoming) as of 1983 had no individual income tax at all. (See Table 10) The tax rate for the lowest bracket was as low as 0.5 percent, in Iowa and Oklahoma, and as high as 4.2

Table 11

STATE GOVERNMENT TAX COLLECTIONS IN 1983

Table 2. Summary of State Government Tax Revenue, by State: 1981 to 1983

State	Amounts (thousands of dollars)			Percent change year-to-year		Per capita, 1983 (dollars)
	1983 (preliminary)	1982	1981	1982 to 1983	1981 to 1982	
All States	171,370,096	162,607,136	149,731,851	5.4	8.6	739.72
Alabama	2,341,229	r2,192,231	2,148,615	6.8	2.0	593.43
Alaska	2,046,086	2,539,193	2,316,825	-19.4	9.6	4,487.03
Arizona	2,060,817	r1,857,087	1,785,775	10.9	4.0	782.13
Arkansas	1,337,881	r1,264,614	1,188,851	5.8	6.4	577.17
California	22,259,976	21,818,694	20,504,787	2.0	6.4	894.44
Colorado	1,743,225	r1,690,034	1,645,777	3.1	16.9	562.88
Connecticut	2,537,725	r2,342,572	2,071,685	8.3	13.1	812.39
Delaware	539,261	394,817	550,943	7.3	8.0	1,067.66
Florida	6,224,717	5,555,936	5,314,376	12.0	4.5	565.24
Georgia	3,304,220	3,281,065	3,019,847	6.8	8.7	619.01
Hawaii	1,150,303	1,046,225	1,088,330	7.9	-2.0	1,180.54
Idaho	629,035	r383,822	536,737	6.2	8.8	630.76
Illinois	7,420,382	r7,405,578	7,322,572	.2	1.1	648.07
Indiana	3,194,741	3,063,657	2,808,811	4.3	9.1	583.73
Iowa	2,014,289	1,996,971	1,835,807	.9	8.8	693.84
Kansas	1,565,629	r1,402,736	1,392,277	11.6	.8	623.16
Kentucky	2,601,949	r2,491,052	2,276,170	4.5	9.4	707.24
Louisiana	3,011,347	r3,138,278	2,804,570	-4.0	11.9	683.31
Maine	780,032	730,979	674,316	6.7	8.4	686.67
Maryland	3,468,193	3,193,087	2,956,088	8.6	8.0	813.28
Massachusetts	5,155,631	4,803,644	4,355,648	7.3	10.3	896.32
Michigan	7,022,658	r6,318,984	6,171,246	11.1	2.4	773.30
Minnesota	4,319,483	r3,799,371	3,373,726	13.7	12.6	1,042.00
Mississippi	1,537,705	r1,498,812	1,398,745	2.6	7.3	599.30
Missouri	2,640,323	2,313,057	2,142,965	14.1	7.9	533.88
Montana	513,638	r529,247	464,573	-2.9	13.4	633.30
Nebraska	987,454	860,527	803,960	14.8	7.0	623.00
Nevada	779,338	745,660	515,305	4.9	44.7	686.63
New Hampshire	329,458	325,515	268,732	1.2	21.1	345.34
New Jersey	6,128,033	r5,526,136	5,029,336	10.9	9.9	823.22
New Mexico	1,163,021	r1,226,343	1,179,280	-5.2	4.0	841.23
New York	16,207,994	15,438,003	13,928,143	5.0	10.8	918.87
North Carolina	4,028,477	3,790,033	3,430,723	6.3	10.5	674.11
North Dakota	526,006	532,631	450,735	-1.2	18.2	786.26
Ohio	6,734,008	5,819,461	5,240,844	15.7	11.0	627.41
Oklahoma	2,627,487	r2,713,324	2,232,278	-3.2	21.6	884.99
Oregon	1,783,670	1,552,313	1,608,423	14.9	-3.5	670.33
Pennsylvania	8,430,271	8,185,625	7,397,010	3.0	7.7	709.44
Rhode Island	726,421	674,792	607,931	7.7	11.0	764.63
South Carolina	2,112,640	1,959,205	1,823,933	7.8	7.3	660.41
South Dakota	324,387	328,785	297,813	-1.3	10.4	468.30
Tennessee	2,246,288	2,146,242	1,958,627	4.7	9.6	481.73
Texas	9,819,075	9,099,849	8,173,759	7.9	11.3	579.98
Utah	974,098	950,869	849,148	2.4	12.0	664.38
Vermont	338,097	r332,392	294,243	1.7	13.0	682.09
Virginia	3,477,388	3,235,829	3,035,483	7.5	6.6	665.63
Washington	4,191,161	r3,524,903	3,123,813	18.9	12.8	988.82
West Virginia	1,470,321	1,468,886	1,269,671	.1	15.7	748.64
Wisconsin	4,294,576	3,934,495	3,639,499	9.2	8.4	904.54
Wyoming	735,902	742,533	469,058	-.9	62.6	1,442.09
EXHIBIT: District of Columbia	1,317,467	1,227,438	1,130,837	7.3	8.5	2,139.20

Note: Because of rounding, detail may not add to totals. Population figures as of July 1, 1983, were used to calculated per capita amounts; see table 7. Totals exclude data for the District of Columbia; see text.

rRevised.

Source: U.S. Bureau of the Census, GF83 No. 1, 1/84, p. 6.

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Table 12

STATE GOVERNMENT TAX COLLECTIONS IN 1983

Table 6. Percent Distribution of State Government Tax Revenue for Selected Taxes: 1983

State	Total	Sales and gross receipts				License taxes		Individual income	Corporation net income	Other
		Total	General sales	Selective sales		Total	Motor vehicle licenses			
				Total	Motor fuels					
All States	100.0	48.9	31.3	17.6	6.9	6.2	3.4	29.1	7.7	8.1
Alabama	100.0	59.2	28.2	31.0	10.3	5.1	1.4	23.8	3.7	6.2
Alaska	100.0	3.6	(X)	3.6	1.8	2.8	.8	.1	13.0	80.5
Arizona	100.0	55.6	41.0	14.6	7.4	6.8	4.9	23.3	7.8	6.5
Arkansas	100.0	52.8	32.7	20.1	9.9	8.4	5.0	29.0	6.5	3.2
California	100.0	44.7	34.9	9.8	4.2	3.8	2.4	34.4	11.5	5.7
Colorado	100.0	50.8	33.7	15.1	8.2	5.7	3.1	37.6	3.2	2.7
Connecticut	100.0	70.9	43.5	27.4	6.3	5.0	3.0	7.0	14.1	3.0
Delaware	100.0	14.1	(X)	14.1	5.9	27.6	4.2	49.1	4.7	4.6
Florida	100.0	77.0	53.6	23.5	7.3	7.1	4.4	(X)	6.0	9.9
Georgia	100.0	50.9	33.3	17.6	10.1	9.1	1.6	38.3	6.8	.9
Hawai'i	100.0	65.7	52.2	13.4	2.8	1.3	.8	30.2	1.9	.9
Idaho	100.0	46.5	26.7	19.9	12.3	11.6	3.7	36.1	5.0	.9
Illinois	100.0	52.1	32.3	19.9	4.9	5.9	4.2	29.7	8.1	4.2
Indiana	100.0	62.9	47.6	15.3	9.9	4.8	3.7	25.6	4.4	2.3
Iowa	100.0	44.1	28.4	15.8	9.3	9.7	7.3	32.9	6.9	3.3
Kansas	100.0	46.9	31.8	14.7	7.4	7.1	4.4	33.9	9.0	3.4
Kentucky	100.0	45.6	26.9	18.7	7.6	5.1	2.8	34.9	6.6	17.8
Louisiana	100.0	45.0	27.8	17.2	6.2	6.5	1.7	7.6	10.7	30.1
Maine	100.0	54.1	34.7	19.4	7.1	8.2	4.2	30.2	8.2	3.2
Maryland	100.0	44.6	24.9	19.6	6.7	3.9	2.5	42.1	4.3	5.2
Massachusetts	100.0	33.7	20.4	13.3	4.9	3.1	1.8	48.0	12.8	2.3
Michigan	100.0	39.5	28.0	11.4	6.3	5.2	3.7	36.6	14.3	4.4
Minnesota	100.0	39.3	23.0	16.3	6.1	6.1	4.3	45.0	5.9	3.9
Mississippi	100.0	66.5	49.5	17.0	8.8	7.9	3.1	13.1	4.3	8.8
Missouri	100.0	52.6	37.3	15.3	7.4	8.0	4.9	33.3	4.3	1.9
Montana	100.0	20.9	(X)	20.9	9.3	9.3	4.7	39.5	7.0	23.2
Nebraska	100.0	56.8	36.1	20.7	12.1	8.2	4.6	28.4	3.2	1.4
Nevada	100.0	85.9	47.3	38.6	8.6	11.1	4.9	(X)	(X)	3.1
New Hampshire	100.0	48.3	(X)	48.3	18.5	17.2	8.8	3.1	22.4	7.1
New Jersey	100.0	54.0	27.1	26.9	4.7	7.8	4.2	25.5	10.8	3.9
New Mexico	100.0	56.3	41.0	15.3	8.0	5.4	3.4	1.4	3.9	31.4
New York	100.0	35.3	21.8	13.5	2.7	3.4	2.0	51.1	8.3	1.9
North Carolina	100.0	43.8	20.5	23.3	9.4	7.4	3.8	38.5	7.6	2.8
North Dakota	100.0	41.7	27.8	13.9	6.8	9.9	3.5	6.7	3.8	35.9
Ohio	100.0	54.7	29.8	25.0	8.7	7.0	4.4	29.3	6.2	2.9
Oklahoma	100.0	30.5	13.6	14.9	4.9	9.7	6.9	34.8	3.9	31.1
Oregon	100.0	11.9	(X)	11.9	5.6	10.2	6.3	(44.2	7.0	4.6
Pennsylvania	100.0	49.3	28.1	21.5	6.6	11.0	4.1	24.3	9.8	5.6
Rhode Island	100.0	51.5	29.2	22.3	6.1	4.1	3.0	33.9	5.8	2.6
South Carolina	100.0	54.0	32.7	21.3	10.1	4.2	2.0	34.0	6.1	1.7
South Dakota	100.0	86.0	33.5	32.5	17.0	8.7	4.3	(X)	.8	4.5
Tennessee	100.0	75.9	32.4	23.5	12.6	9.6	4.8	2.3	9.1	3.2
Texas	100.0	62.9	36.8	26.1	5.6	11.1	3.4	(X)	(X)	26.0
Utah	100.0	54.1	40.2	14.0	8.8	4.9	2.8	35.5	3.2	2.3
Vermont	100.0	48.9	18.6	30.3	7.9	10.6	7.5	31.8	7.1	1.6
Virginia	100.0	41.4	20.7	20.7	9.2	6.0	4.1	44.3	5.3	2.8
Washington	100.0	74.4	58.6	15.8	5.8	5.6	2.9	(X)	(X)	20.1
West Virginia	100.0	68.4	50.7	17.7	7.2	5.9	4.0	21.1	3.1	1.5
Wisconsin	100.0	42.5	28.1	14.3	6.7	4.8	2.9	40.4	7.9	4.5
Wyoming	100.0	32.9	25.8	7.0	5.9	7.6	4.9	(X)	(X)	59.5
EXHIBIT: District of Columbia	100.0	32.2	20.2	12.0	1.8	3.6	1.4	26.7	6.3	32.9

Note: Because of rounding, detail may not add to totals. Percentages were computed based on amounts in thousands of dollars.

X Not applicable.

Source: U.S. Bureau of the Census, GF83 No. 1, 1/84, p. 10.

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Table 13

FOOD AND DRUG SALES TAX EXEMPTIONS
As of January 1, 1984*

State	Tax Rate	Exemptions: Food	Exemptions: Prescription Drugs	State	Tax Rate	Exemptions: Food	Exemptions: Prescription Drugs
Alabama	4		X	New York	4	X	X
Arizona	5	X	X	North Carolina	3		X
Arkansas	4		X	North Dakota	4	X	X
California	4.75	X	X	Ohio	5	X	X
Colorado	3.5	X	X	Oklahoma	2		X
Connecticut	7.5	X	X	Pennsylvania	6	X	X
Florida	5	X	X	Rhode Island	6	X	X
Georgia	3		(X eff 1/85)	South Carolina	4		X
Hawaii**	4			South Dakota	4		X
Idaho**	4.5		X	Tennessee	4.5		X
Illinois	5	X	X	Texas	4	X	X
Indiana	5	X	X	Utah	4.625		X
Iowa	4	X	X	Vermont**	4	X	X
Kansas	3		X	Virginia	3		X
Kentucky	5	X	X	Washington	6.5	X	X
Louisiana	3	X	X	West Virginia	5	X	X
Maine	5	X	X	Wisconsin	5	X	X
Maryland	5	X	X	Wyoming	3		X
Massachusetts	5	X	X	D.C.	6	X	X
Michigan	4	X	X				
Minnesota	6	X	X				
Mississippi	6		X				
Missouri	4.125		X				
Nebraska	4	X	X				
Nevada	5.75	X	X				
New Jersey	6	X	X				
New Mexico**	3.75						

* Prepared by the Federation of Tax Administrators on the basis of legislation enacted at 1983 sessions.

** Hawaii, Idaho, New Mexico, and Vermont provide related income tax credits.

Table 14

Those States Whose Sales Tax Does Not Exempt Food
Compared to Those States Whose Annual Per Capita Income
is Less than $10,000

State	Per Capita Personal Income, Calendar Yr. 1982 less than $10,000	No Exemption for Food from State Sales Tax
Alabama	X	X
Arkansas	X	X
Georgia	X	X
Hawaii	-	X*
Idaho	X	X*
Kansas	-	X
Kentucky	X	-
Maine	X	-
Mississippi	X	X
Montana	X	-**
New Mexico	X	X*
North Carolina	X	X
South Dakota	X	X
Tennessee	X	X
Utah	X	X
Vermont	X	X*
Virginia	-	X
West Virginia	X	-
Wyoming	-	X

*Hawaii, Idaho, New Mexico, and Vermont do have related income tax credits.
**Montana has no general sales tax

Sources: Tax Administrators News, (Federation of Tax Administrators: Washington, D.C.), 1/84, p. 1; Bureau of the Census, State Government Tax Collections in 1983, GF83 No. 1, 1/84, p. 11.

percent, in Oregon. (See Table 15) The highest bracket ranges from a low of 3.5 percent, in New Jersey, to a high of 16 percent, in Minnesota. Some states avoided any progressivity at all by having one flat rate for all income levels, most notably Illinois, Indiana and Pennsylvania. Some income brackets used to graduate the tax were as high as $100,000 in New Mexico and Ohio, and some were as low as $3,000 in Alabama and Maryland. Clearly, those state income taxes for which the highest bracket is low, like in Alabama and Maryland, the tax is least progressive and thereby places the greatest relative burdens on the poor, and women. For 12 states the highest bracket was $10,000 or under. While the personal exemption for marrieds is usually twice the exemption for singles; in Mississippi singles receive more than half the exemption of marrieds, in North Carolina, less than half. Singles in North Carolina, then, for example, bear a relatively higher tax burden than marrieds — and single heads of household are most often women. Personal exemptions for dependents vary a great deal as well. In Pennsylvania there are no personal exemptions at all; they peak in Michigan at $1,500. In some states, rather than exemptions there are tax credits which in 1983 ranged from $6 per dependent in Arkansas to $85 per dependent in Oregon. Is there a message? Pennsylvania with its flat 2.45 percent tax rate and no exemptions would appear to be among the most regressive in its impact of state individual income taxes. Ohio and New Mexico with their wide range of tax brackets, relatively broad range of rates, and relatively generous personal exemptions would appear to be among the most progressive.

State corporate income taxes have the same broad ranges of variations. Many states have a fixed tax rate, 21 of 46 using the tax. (See Table 16.) Thirteen of 46 tax banks and financial corporations at different rates, and some even differentiate their rates among different types of financial institutions.

STATE INDIVIDUAL INCOME TAXES: JANUARY 1, 1984*

State	Rate Range (a) (percent)	Income Brackets: Lowest (ends)	Income Brackets: Highest (over)	Personal Exemptions: Single	Personal Exemptions: Married	Personal Exemptions: Dependents	Federal Income Tax Deductible
Alabama	2.0 - 5.0(3)	$ 500	$ 3,000(c)	$1,500	$ 3,000	$ 300	X
Arizona(b)	2.0 - 8.0(7)	1,017	6,102(c)	1,759	3,518	1,056	X
Arkansas	1.0 - 7.0(6)(d)	3,000	25,000	17.50(e)	35(e)	6(e)	-
California(b)	1.0 - 11.0(11)(a)	4,600(a,f)	25,430(f)	38(e)	76(e)	12(e)	-
Colorado(b)	3.0 - 8.0(11)(g)	1,415	14,153	1,203	2,406	1,203	X
Delaware	1.4 - 13.5(15)	1,000	50,000	600	1,200	600	X(h)
Georgia	1.0 - 6.0(6)	750(i)	7,000(i)	1,500(j)	3,000(j)	700	-
Hawaii	2.25 - 11.0(11)(a,k)	1,300(a)	30,800	1,000	2,000	1,000	-
Idaho	2.0 - 7.5(6)(l)	1,000	5,000	1,000(l,m)	2,000(l,m)	1,000(l,m)	-
Illinois	3.0	Flat rate		1,000	2,000	1,000	-
Indiana	3.0	Flat rate		1,000	2,000(n)	500	-
Iowa(b)	0.5 - 13.0(13)(o)	1,023	76,725	20(e)	40(e)	15(e)	X
Kansas	2.0 - 9.0(8)	2,000(c)	25,000(c)	1,000	2,000	1,000	X
Kentucky	2.0 - 6.0(5)	3,000	8,000	20(e)	40(e)	20(e)	X
Louisiana	2.0 - 6.0(3)	10,000	50,000	4,500(p)	9,000(p)	1,000	X
Maine(b)	1.0 - 10.0(8)	2,000(c)	25,000(c)	1,000	2,000	1,000	-
Maryland	2.0 - 5.0(4)	1,000	3,000	800	1,600	800	-
Massachusetts	5.375(q)	Flat rate		2,200	4,400(r)	700	-
Michigan	6.1(s)	Flat rate		1,500	3,000	1,500	-
Minnesota(b)	1.6 - 16.0(13)(d)	672	36,925	68(e)	136(e)	68(e)	X
Mississippi	3.0 - 5.0(3)	5,000	10,000	6,000	9,500	1,500	-
Missouri	1.5 - 6.0(10)	1,000	9,000	1,200	2,400	400	X
Montana(b)	2.0 - 11.0(10)	1,200	42,000	960	1,920	960	X
Nebraska	20% U.S. tax	-	-	-	-	-	-
New Jersey	2.0 - 3.5(3)	20,000	50,000	1,000	2,000	1,000	-
New Mexico	0.7 - 7.8(19)(t)	1,000	100,000	1,000(m)	2,000(m)	1,000(m)	-
New York	2.0 - 14.0(13)(u)	1,000	23,000	800	1,600	800	-
North Carolina	3.0 - 7.0(5)	2,000	10,000	1,100	3,300	800	-
North Dakota	2.0 - 9.0(8)(v)	3,000	50,000	1,000(m)	2,000(m)	1,000(m)	X
Ohio	0.95 - 9.5(8)	5,000	100,000	1,000(w)	2,000(w)	1,000(w)	-
Oklahoma	0.5 - 6.0(7)(x)	1,000	7,500	1,000	2,000	1,000	-(x)
Oregon(b)	4.2 - 10.8(7)	500	5,000	85(e)	170(e)	85(e)	X(h)
Pennsylvania	2.45	Flat rate		0	0	0	-
Rhode Island	26% U.S. tax	-	-	-	-	-	-
South Carolina(b)	2.0 - 7.0(6)	2,000	10,000	800	1,600	800	X(h)
Utah	2.75 - 7.75(6)	750(c)	3,750(c)	750(m)	1,500(m)	750(m)	X
Vermont	26% U.S. tax(y)	-	-	-	-	-	-
Virginia	2.0 - 5.75(4)	3,000	12,000	600	1,200	600	-
West Virginia	2.1 - 13.0(17)	2,000(z)	60,000(z)	800	1,600	800	-
Wisconsin(b)	3.4 - 10.0(8)	3,900	51,600	20(e)	40(e)	20(e)	-
District of Columbia	2.0 - 11.0(10)	1,000	25,000	750(m)	1,500(m)	750(m)	-

Footnotes

* Prepared by the Federation of Tax Administrators, on the basis of legislation enacted at 1983 sessions.

(a) Figure in parentheses is the number of steps in range. For California and Hawaii, amount shown for lowest bracket includes zero bracket amount and lowest positive bracket.

(b) Ten states have statutory provisions for automatic adjustment of tax brackets or personal exemptions, as well as other features, to reflect changes in the price level. Adjustments to be made for 1984 tax years will generally not be made until the latter part of 1984. The 1983 amounts are shown.

(c) For joint returns, the tax is twice the tax imposed on half the income.

(d) Provides for the exemption of or the imposition of lower rates on taxpayers with incomes below certain levels.

(e) Tax credits.

(f) The range reported is for single persons. For married persons, the tax is twice the tax imposed on half the income. For heads of households, different rates apply.

(g) Imposes a surtax of 2 percent on gross income from intangibles which exceed $15,000. A credit is allowed on taxable income up to $9,000, computed by dividing taxable income by 200.

(h) The federal tax deduction is limited: in Delaware to $300 for single persons and $600 for joint returns; in Kansas to $5,000 for single persons and $10,000 for joint returns or 50 percent of federal liability, whichever is greater; in Oregon to $7,000; and in South Carolina to $500.

(i) The range reported is for single persons. For joint returns and heads of households the same rates are applied to income brackets ranging from $1,000 to $10,000. For married persons filing separately, the income brackets range from $500 to $5,000.

(j) In addition, low-income taxpayers are allowed a tax credit up to $15 for single persons and $30 for heads of households or married persons filing jointly.

(k) The range reported is for single persons. For joint returns, the tax is twice the tax imposed on half the income. Different rates and brackets apply to heads of households.

(l) In the case of joint returns, the tax is twice the tax imposed on half the income. A filing fee of $10 is imposed on each return. A credit of $15 is allowed for each personal exemption.

(m) These states by definition allow personal exemptions provided in the Internal Revenue Code. Under existing law, Idaho follows the federal code as of January 1, 1982, North Dakota as of March 11, 1983, Utah (for purposes of personal exemptions) as of December 31, 1974, and the District of Columbia (for personal exemptions) as of July 1, 1975. New Mexico automatically accepts amendments to the federal code.

(n) Allows $1,000 for individual taxpayers and $500 for dependents. On joint returns, each spouse may subtract the lesser of $1,000 or adjusted gross income; the minimum exemption is $500 for each spouse.

(o) No tax is imposed on persons whose net income does not exceed $5,000.

(p) Combined personal exemption and standard deduction.

(q) A 10.75 percent rate is applied to interest and dividends (other than from savings deposits) and on net capital gains. The 5.375 percent rate applies to all other income, including earned income and interest and dividends from savings deposits. These rates include a 7.5 percent surtax.

(r) Maximum allowance; spouse's exemption is $1,000 plus the amount of earnings, but the total exemption for taxpayer and spouse may not exceed $4,400.

(s) The rate may be reduced depending on the state unemployment rate and other factors.

(t) The rate range reported is for single persons. For joint returns and heads of households, tax rates range from 0.7 percent on income not over $2,000 to 7.8 percent on income over $200,000. For married persons filing separately, a separate set of rates and brackets applies.

(u) Maximum rate of 10 percent on personal service income.

(v) Taxpayers have the option of paying 10.5 percent of adjusted federal income tax liability.

(w) Or $650 deduction plus $20 credit per exemption, at taxpayer's option.

(x) The rate range is for single persons not deducting federal income tax. Married persons filing jointly, surviving spouses, and heads of households have the same rates and brackets that are twice as wide. Separate schedules, with rates ranging from 0.5 percent to 17 percent, apply to taxpayers deducting federal income taxes.

(y) If Vermont tax liability for any taxable year exceeds Vermont tax liability determinable under federal law in effect January 1, 1980, the taxpayer will be entitled to a credit equal to the excess plus 6 percent of that amount. A credit is allowed to taxpayers with an adjusted gross income of under $7,000.

(z) The range reported is for single persons and heads of households. For joint returns, the same rates are applied to brackets ranging from $4,000 to $120,000. A 12 percent surtax is imposed through June 30, 1985.

NOTE: The table excludes the following state taxes: Connecticut taxes interest and dividends at 6 to 13 percent and capital gains at 7 percent. New Hampshire taxes interest and dividends at 5 percent. Tennessee taxes dividends and interest at 6 percent; it imposes a 4 percent tax on dividends from corporations with property at least 75 percent of which is assessable for property tax in Tennessee.

Table 16

RANGE OF STATE CORPORATE INCOME TAX RATES
As of January 1, 1984*

State	Tax Rate** (percent)
Alabama (a)	
Business corporations	5
Banks and financial corporations	6
Alaska	
Business corporations	
$0 to $10,000	1
Over $90,000	9.4(10)
Banks and financial corporations	7(b)
Arizona (a)	
$0 to $1,000	2.5
Over $6,000	10.5(7)
Arkansas	
$0 to $ 3,000	1
Over $25,000	6(5)
California	
Business corporations	9.6(c)
Banks and financial corporations	11.6(c)
Colorado	5(d)
Connecticut	11.5(e)
Delaware	8.7
Florida	5(f)
Georgia	6
Hawaii	
Business corporations	
$0 to $25,000	5.85(g)
Over $25,000	6.435(2)
Banks and financial corporations	11.7
Idaho	7.7(h)
Illinois	7.3(i)
Indiana	7(j)
Iowa (a)	
Business corporations	
$0 to $ 25,000	6
Over $250,000	12(4)
Financial institutions	5
Kansas	
Business corporations	4.5(k)
Banks	4.25(k)
Trust companies and savings and loan associations	4.5(k)
Kentucky	
$0 to $ 25,000	3
Over $100,000	6(4)
Louisiana (a)	
$0 to $ 25,000	4
Over $200,000	8(5)
Maine	
$0 to $ 25,000	3.5
Over $250,000	8.93(4)
Maryland	7
Massachusetts	
Business corporations	9.4962(1)
Banks and trust companies	12.54
Utility corporations	6.5
Minnesota	
$0 to $25,000	6
Over $25,000	12
Mississippi	
$0 to $ 5,000	3
Over $10,000	5(3)
Missouri (a)	
Business corporations	5
Banks and trust companies	7
Montana	6.75(m)
Nebraska	
$0 to $50,000	5
Over $50,000	7(2)(n)
New Hampshire	9.56(o)
New Jersey	9(p)
New Mexico	
$0 to $1 million	4.8
Over $2 million	7.2(3)
New York	
Business corporations	10(q)
Banks and financial corporations	12(r)
North Carolina	6
North Dakota (a)	
Business corporations	
$0 to $ 3,000	3
Over $50,000	10.5(6)
Banks and financial corporations	5(s)
Ohio	
$0 to $25,000	5.1(t)
Over $25,000	9.2(2)(t)
Oklahoma	4
Oregon	7.5(u)
Pennsylvania	10.5
Rhode Island	8(v)
South Carolina	
Business corporations	6
Banks	4.5
Financial associations	8
South Dakota (a)	
Banks and financial corporations	6(w)
Tennessee	6
Utah	4(x)
Vermont	
$0 to $ 10,000	5
Over $250,000	7.5(4)(y)
Virginia	6
West Virginia	
$0 to $50,000	6.9
Over $50,000	8.05
Wisconsin	7.9
District of Columbia	9.9(z)

Source: Federation of Tax Administrators, Tax Administrators News, 1/84, pp. 6-7.

* Prepared by the Federation of Tax Administrators, on the basis of legislation enacted at 1983 sessions.

** Figure in parentheses is number of steps in range.

(a) The federal income tax is deductible in Alabama, Arizona, Louisiana, Missouri, North Dakota, and South Dakota; 50 percent of the tax is deductible in Iowa.

(b) Banks and other financial institutions are subject to a license tax.

(c) Minimum tax is $200.

(d) A credit was suspended for 1983 and 1984 but is scheduled to resume in 1985.

(e) Or 3.1 mills per dollar of capital stock and surplus (maximum tax $100,000), or $250, or 5 percent of 50 percent of net income of the corporation plus salaries and other compensation paid to officers and certain shareholders, whichever is greater.

(f) An exemption of $5,000 is allowed.

(g) Taxes capital gains at 3.08 percent.

(h) Minimum tax is $20. An additional tax of $10 is imposed on each return.

(i) Includes 2.5 percent personal property tax replacement tax.

(j) Consists of 3 percent basic rate plus a 4 percent supplemental tax.

(k) Plus a surtax of 2.25 percent of taxable income in excess of $25,000 (2.125 percent for banks).

(l) Rate includes a 14 percent surtax, as does the following: Plus a tax of $2.60 per $1,000 on taxable tangible property (or net worth allocable to state, for intangible property corporations). Minimum tax of $228 including surtax. Corporations engaged exclusively in interstate or foreign commerce are taxed at 5 percent of net income, and are subject to surtax.

(m) Minimum tax is $50; for small business corporations, $10.

(n) 25 and 35 percent of individual income tax rate, determined annually, imposed on net taxable income.

(o) Business Profits Tax imposed on both corporations and unincorporated business. Includes a 13.5 percent surtax.

(p) This is the corporation business franchise tax rate, plus a net worth tax at millage rates ranging from 2 mills to 0.2 mill; minimum tax is $250. Corporations not subject to the franchise tax are subject to a 7.25 percent income tax. Savings institutions are subject to a 3 percent tax.

(q) Or $250; 1.78 mills per dollar of capital; or 10 percent of 30 percent of net income plus salaries and other compensation to officers and stockholders owning more than 5 percent of the issued capital stock less $30,000 and any net loss, if any of these is greater than the tax computed on net income.

(r) Minimum tax is $250 or 1.6 mills per dollar of capital stock; for savings institutions, the minimum tax is $250 or 2 percent of interest credited to depositors in preceding year.

(s) Minimum tax is $50; plus an additional 2 percent tax.

(t) Or 5.82 mills times the value of the taxpayer's issued and outstanding shares of stock as determined according to the total value of capital surplus, undivided profits, and reserves; minimum tax $50. An additional liter tax is imposed equal to 0.11 percent on the first $25,000 of income, 0.22 percent on income over $25,000, or 0.14 mills on net worth. Corporations manufacturing or selling litter stream products are subject to an additional 0.22 percent tax on income over $25,000 or 0.14 mills on net worth.

(u) Minimum tax is $10.

(v) Or, for business corporations, the tax is 40 cents per $100 of net worth, if greater than the tax computed on net income. For banks, if a greater tax results, the alternative tax is $2.50 per $10,000 of capital stock; minimum tax is $100.

(w) Minimum tax is $200 per authorized location.

(x) Minimum tax is $25. There is a graduated gross receipts tax on corporations not otherwise required to pay income or franchise taxes, ranging up to 1 percent on receipts in excess of $1 billion.

(y) Minimum tax is $50.

(z) Includes 10 percent surtax. Minimum tax is $100.

Note: Michigan imposes a single business tax (sometimes described as a business activities tax or value added tax) of 2.35 percent on the sum of federal taxable income of the business, compensation paid to employees, dividends, interest, and royalties paid, and other items.

Rates range from a low of 1 percent for small businesses in Alaska and Arkansas, to a high of 12.54 percent for banks and trust companies in Massachusetts. In those states with lower rates for small businesses — Alaska, Arizona, Arkansas, Hawaii, Iowa, Kentucky, Louisiana, Maine, Minnesota, Mississippi, Nebraska, New Mexico, North Dakota, Ohio, Vermont and West Virginia — tax conditions may be more favorable to the large number of women now starting new businesses. The definition of small business, however, varies greatly — from the smallest bracket at $1000 taxable income in Arizona to $1,000,000 in New Mexico.[20]

The variation within types of taxes is also very great. Besides the general sale or gross receipts tax which is used by 45 of the 50 states, there is a wide range of selective sales and gross receipts taxes. These selective taxes -- most often on motor fuels, public utilities, tobacco products, insurance, alcoholic beverages, parimutuels, and amusements -- provide 36 percent of total sales tax revenue. State government license taxes exist in all 50 states. While motor vehicle license taxes provide well over half of the $10.7 billion collected by states last year for licenses, license taxes on motor vehicle operators, corporations in general, occupations and businesses, hunting and fishing, alcoholic beverages, public utilities, and amusements are also important. Among occupation and business licenses, same states tax home improvement companies, others tax milk dealers or beauticians or teachers. Nurses, who are part of a predominantly female profession, nearly always pay a license tax, but the variations seem endless. In the neighboring states of Virginia and Maryland, just as an example, there are more than 67 and 68 different state taxes, respectively.[21]

Clearly, one's state tax burden is different from state to state -- both by type of tax and amount -- and so the impact on women also varies widely.

Local Taxes. Because of the vast number of local governments within the United States, the variation of taxes, tax rates, and tax regulations is difficult to summarize. As local governments increasingly diversify their taxing sources beyond the property tax, they have moved both toward the more progressive income tax and toward the more regressive sales tax. Each jurisdiction must be evaluated individually to ascertain its impacts on the women within its taxing boundaries. In most localities because of the predominance of women in lower income categories a local jurisdiction (as of course among the states and federal government as well), would require progressive taxes in order to prevent women from bearing a larger relative share of the tax burden.

The property tax, the major but declining source of local taxation, has always been difficult for public finance experts to analyze. The literature is replete with debates about whether the tax is neutral, progressive, or regressive; about the shifting and incidence of the tax; and about the various impacts of market forces in the real estate market on the property tax. While the majority of analysts probably agree that the tax is usually regressive and especially so in tight rental housing markets and when shifting to tenants occurs; there is less than full agreement. To the extent that property taxes on rental properties are shifted to consumers for commercial and industrial business and to tenants in residential markets, the tax will be regressive -- and the poor, who are disproportionately women, will bear a greater relative burden.

The property tax can have an especially cruel effect on lower income elderly homeowners. Elderly households are disportionately made up of women and women heads of household. Even though many elderly homeowners have paid off their mortgages, they are finding that their property tax liabilities are so high that they can no longer afford the shelter they live in, perhaps their home of 20, 30 or even 50 years.[22] Sometimes their current monthly tax bill is higher than their monthly mortgage payment. Several localities have struggled with policies to ameliorate the displacement effects of the property tax, especially on elderly widows. Some have discussed putting caps on the amount of one's income that can be obligated to property taxes. Other cities have considered exempting some portion of the elderly from some amount of their property tax obligation. Still others have considered accepting a lien on an individual's estate for unpaid tax revenues. All are aimed at preventing the property tax from displacing elderly individuals of limited means from their homes.

Some cities have made efforts to make their tax systems more progressive. Santa Monica, California for example, has imposed new fees and obligations on builders and property owners in a conscious effort to increase the purchasing power of tenants.[23] But most cities, counties and states are doing just the opposite under pressure and even statutory obligation from local tax cutting referenda. Spurred in part by the success of Proposition 13 in California, the Jarvis-Gann initiative, which called for a drastic across-the-board property tax cut in California; states and localities across the nation have chosen to cut taxes and public services. From Michigan to Massachusetts to Tennessee, from Elgin, Illinois to Prince George's County, Maryland measures to cut taxes and/or balance budgets have won at the ballot box. The impact on women? Women heads

of households are more likely to be renters than homeowners and so property tax cuts benefit them only indirectly and only in some housing markets and sometimes only partially. Renters may face less of a rent increase from property tax cuts, but are not like to receive rebates or reductions. To the extent that cuts in public services have been a result of tax-cutting initiatives, those who have suffered most have tended to be the poor, and, therefore, disproportionately women.

Evaluation

Tax policy has grown so complicated and is so decentralized that no single philosophy or set of goals can be said to exist. Many taxes seem to provide contradictory incentives, pushing individuals in opposing directions at once. (The income tax penalizes marriage, while social security encourages it through dependent and survivor's benefits, for example.) The distribution of income within the United States has shifted rather dramatically in recent years, while the tax burden has increased for the lowest half of the population. Wealthy income earners, making $200,000 per year, have experienced tax reductions of more than one third.

Budget cuts have added to the burden of an increasingly regressive system, as has the shift from federal taxation toward lower levels of government and toward more user fees. We have seen an increase in the regressiveness of taxation, as states pick up some of the federal burden and also reduce social spending.

At the same time, the tax burden has shifted away from corporations and onto individuals. Thirty years ago, corporations paid 25 percent of all federal taxes. Now they pay around 6 percent. The difference has fallen to individual

taxpayers. A recent Congressional study shows 213 Fortune - 500 firms paid income tax at the rate of 16 percent. Many profitable firms including General Electric, Dupont, RCA and Texaco paid no taxes at all or even received refunds.[24] These issues must be considered at a microeconomic level, policy makers must consider the policy implications of every tax change, every new regulation.

While significant changes in tax policy might be called for, it is important to remember that tax policy does not operate in a vacuum. Rather, taxes combine with many other types of public policy in trying to achieve specific goals. Often the interaction of various policies prevents tax policy from achieving its apparent objective. For example:

- The dependent care tax credit does little to offset the high cost of private day care. Federal and state programs to assist in child care have been cut drastically, reducing by thousands the number of children served as well as the level of aid per child. As a result, many mothers were forced to quit work to care for their children, supported by social programs such a AFDC.[25]

- In the face of rapidly rising medical costs, the loss of medical insurance by unemployed workers, and the refusal of Congress to legislate a rational national health care program, the amount of medical expenses necessary to earn an income tax deduction is increased, and the deduction for medical insurance is eliminated.

- The combined effect of tax and budget cuts has distributed after tax income away from low income families toward high income families, as shown in the chart below:

Tax and Budget Cuts: The Impact on Household Incomes

Projections for the 1984 calendar year. Numbers have been rounded.

	All households	$10,000 or less	$10,000-20,000	$20,000-40,000	$40,000-80,000	$80,000 or more
Gain from tax cuts	$1,090	$ 20	$330	$1,200	$3,080	$8,390
Loss in cash benefits	-170	-250	-210	-130	-90	-90
Loss in noncash benefits*	-100	-160	- 90	- 60	-80	-40
NET GAIN OR LOSS	$820	$-390	$30	$1,010	$2,900	$8,270

* Include food stamps, Medicaid, Medicare and housing subsidies

Source: Congressional Budget Office

- Services provided by homemakers prove especially troublesome to tax policy makers, probably because it is difficult to establish a monetary value for them. Treatment of homemakers is contradictory is several ways. First, they cannot establish IRS accounts if they have no income although their spouse may establish one for them. Second, they may receive social security benefits as a dependent without paying any payroll tax personally.

The real policy debate in the near future revolves around three key questions:

1. Who benefits from the federal, state and local tax cuts and who bears the burden of the resulting program cuts?

2. As lower tax assessments yield smaller revenues and the public sector finds itself unable to meet its minimum levels of expenditures, how will the additional revenues be raised (tax increases, user fees, etc.) and who will bear the burden of these increases?

3. How can tax policy be used effectively to promote social goals and to complement other types of government policy?

We already have some data to answer the first question. Specific women's programs have been cut at the federal level. The tax cuts that accompanied the spending cuts could never help the very poor because those with low tax liabilities have little to gain from reductions in taxation. The programs cut have been targetted programs more than general population programs. Women have been disproportionately hurt by the federal tax-spending cut package.

At the state level, Proposition 13, for example, cut specific programs like school sports and introduced user fees for such other previously state provided programs as parks and school books. Again, the poor bear a disproportionate burden of the tax and program cutting. At the local level, the impacts are similar.

There are now calls for tax increases. If the current trend toward a more regressive system continues, women -- poor and elderly women — will bear a disproportionate burden. Before any further changes in the tax system are considered, there needs to be a thorough, comprehensive study of the macro and microeconomic impact of taxation on the population in general and on specific demographic groups. The goals of tax policy must be clearly stated and policy designed to achieve those goals, working in concert and not in opposition to other government policy.

Generally, the tax system, both at the federal and state level, does not provide the benefit to women that would be possible if the system were designed with different goals in mind. If our national political consensus could reach the conclusion that providing care for our society's children while their parents worked was a legitimate national goal, then the tax system could be revised to affect the transfer of funds necessary to accomplish that goal, through the dependent care credit. If our society concluded that a certain minimum standard of living should be guaranteed to all families the tax system could provide that, through a more substantial earned income credit. The tax system provides a tool to be used in conjunction with other types of government policy to affect necessary changes in our economic and political systems. What is needed now is conscious effort to re-evaluate tax policy, not just with an eye toward making it "simpler" but with a genuine concern for the many other social goals tax policy could help us achieve.

Endnotes

1. The Women's Bureau, U.S. Department of Labor, taken from the Current Population Survey, 1981.

2. Testimony of Helen Blank, Children's Defense Fund before the Joint Economic Committee on Women in the Workforce, 4/4/84.

3. John Due, Government Finance. (Homewood, Ill.: Richard D. Irwin, 1963), p. 327.

4. The Women's Bureau, U.S. Department of Labor, "Economic Recovery Tax Act: Selected Provisions of Interest to Women," GPO: 1982, 0-384-289, 10/82, p. 3.

5. White House Office of Policy Information, "Issues Update," No. 15, 9/19/83, p. 7.

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